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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday June 23, 1976

CI NIDC 76-147C

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NATIONAL SECURITY INFORMATION

Unauthorized Disclosure Subject to Criminal Sanctions

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State Dept. review completed

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National Intelligence Daily Cable for Wednesday June 23, 1976.

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The NID Cable is for the purpose of informing senior US officials.

ITALY

Italy's major parties will begin leadership meetings in the next few days to assess the election results.

Debate is likely to be most intense in the Socialist Party, which precipitated the election but failed to win any new parliamentary seats. Paradoxically, however, the Socialists are now more important than ever to Christian Democratic attempts to govern without the Communists because losses sustained by small centrist parties reduce their value as viable coalition parties.

The Socialists are clearly disappointed that their pivotal position is accidental rather than a result of electoral gains. This is likely to lead to a full scale review of Socialist strategy that could eventually lead to a challenge to party leader De Martino. The major question for the Socialists is whether or how to modify their condition that the Communists be associated in some way with any government the Socialists agree to form with the Christian Democrats.

The Christian Democrats will be watching for any sign of Socialist flexibility on the Communist issue. If the Socialists stick to their insistence on some Communist involvement, the Christian Democrats will have trouble formulating a unified response. Some Christian Democrats, for example, are open to the idea of formalized consultations with the Communist Party but others view even that as a risky experiment.

In his initial comments on the election, Communist chief Berlinguer appeared to interpret the outcome as an affirmation of his "historic compromise" strategy and asserted that the strong showing by both the Christian Democrats and Communists means that the two parties can not avoid dealing with each other. At the same time, Berlinguer reiterated that his party

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is in "no hurry" to join the government. The sharp Communist advance, however, may bring Berlinguer under increased pressure from party militants to translate the party's gains into tangible results.

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[] The Soviets have not commented authoritatively on the election, although Tass has highlighted the substantial gains by the Communists and the losses by parties on the right. The largest swing to the left since the war, Tass notes, makes it difficult for the Christian Democrats to disregard the Communists in forming a government. Moscow's generally positive reaction thus far differs from the Soviets' usual ambivalence toward political gains by the Italian Communists. []

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LEBANON

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[] Lebanese Christian militias yesterday mounted new attacks on Palestinian refugee camps and some leftist areas in Beirut. They may also have been responsible for new outbreaks of fighting near the coastal towns of Shikka and Anfah and near Faraiya in central Lebanon.

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[] The Christians are trying to push the Palestinians out of some disputed areas in Beirut and to regain territory lost earlier to the leftists in the northern and central areas. They recognize that this may be their best opportunity; Palestinian and leftist forces have been significantly weakened by their confrontation with the Syrian army.

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25X1 [] There was almost no fighting between Syrian and Palestinian forces in the Beirut area yesterday, as the two sides moved to complete implementation of the first stage of their cease-fire agreement. Syrian and Saiqa troops in the airport and the Khaldah area have been replaced by the Syrian-Libyan contingent of the Arab Security Force.

25X1 [] //Although the new group of Syrians is theoretically responsible to the Arab League rather than to Damascus, the distinction so far means nothing and leaves Syria's presence undiluted.//

25X1 [] //The Libyan troops, moreover, reportedly are outside the airport, while the airport proper remains under the control of Syrian regular forces. This arrangement apparently was worked out by Lebanese Christian leaders and a representative of Syrian President Asad on Monday.//

25X1 [] //The Christians, concerned that the reopened airport might allow resupply of the Lebanese leftists and Palestinians, had threatened to resume shelling it if Syria relaxed its control.//

25X1 [] Palestinian and Syrian spokesmen appear far apart on the distance they say Syrian forces are to pull back from Beirut. The Palestinians maintain the Syrians must withdraw to the Bekaa Valley, while the Syrians are talking publicly of a pull-back to the Baydar Pass and Jazzin.

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[REDACTED] Although the latest outbreak of fighting may further delay any progress toward a political solution, leaders of the various factions have shown some interest in the recent French proposal for roundtable talks in Paris. [REDACTED]

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USSR

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[REDACTED] Our preliminary forecast of Soviet grain production in 1976 is 195 million metric tons. This assumes normal weather; the actual crop could turn out to be substantially higher or lower depending on the weather in the next two months.

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[REDACTED] A harvest of 195 million tons would be 55 million tons above last year's disastrous crop but still some 10 to 12 million tons below plan. Given this level of production, Moscow would likely import 20 to 25 million tons of grain over the next 15 months.

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[REDACTED] Crop conditions in European Russia, the major winter grain area, are good, and high yields are anticipated. The loss of almost one-third of the area sown last fall, however, has cut prospects for the winter grain crop to a maximum of 45 million tons, 3.5 million tons less than last year. The winter grain harvest will begin in earnest early next month; continuation of cool, wet weather in northern crop districts, however, could create serious harvest delays and promote weed growth.

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[REDACTED] //Prospects for spring grains have improved during the past month, and a near-record crop of 150 million tons is expected. Spring grain resown on winterkilled areas west of the Urals has benefited from the cool, wet weather that fostered growth of winter grains. In the major spring grain areas east of the Urals, conditions are better than we originally thought. Much of this area has suffered from below normal precipitation since early spring. [REDACTED]

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25X1 [] Precipitation during the remainder of June and in July will be decisive in determining spring grain production. Although recent rainfall brought temporary relief to some major growing regions, precipitation was uneven. Soil moisture reserves in parts of the southern Urals and north-central Kazakhstan remain seriously low.

25X1 [] If precipitation in the spring grain belt is much below normal, the overall crop would be smaller than 195 million tons; if conditions are optimal, spring grain yields might reach record levels, providing a total crop of as much as 215 million tons.

25X1 [] Soviet demand for grain imports this year will depend not only on the size of the harvest and on basic grain requirements, but also on the rate at which Moscow chooses to rebuild livestock inventories and replenish grain stocks.

25X1 [] Given a harvest of 195 million tons and minimum grain requirements of about 185 million tons, we estimate that Moscow could import about 20 to 25 million tons of grain in the 15-month period beginning on July 1, 1976. This would provide 30 to 35 million tons of grain for beginning the ambitious herd rebuilding program, expanding meat production above current depressed levels, and adding to depleted reserves. Twenty million tons would be only about two thirds of the amount purchased after last year's shortfall. Moscow would prefer to hold imports to this level because record hard-currency deficits are beginning to cause payments problems. World grain supplies have eased from last year and seem adequate to cover Soviet needs.

25X1 [] So far this year Moscow has bought an estimated 12 million tons of grain for delivery starting July 1. The Soviets would have to purchase another 8 to 13 million tons if our 20 to 25 million ton forecast proves correct. They are obligated to take at least 3.8 million tons more of US grain under the US-Soviet grain agreement. As in the recent past, a little more than half of total imports probably will be feedgrains. [] 25X1

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VIETNAM

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[] After a year of relatively moderate rule in South Vietnam, the communists have removed most foreign observers from Saigon and are beginning to tighten their control.

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[] The nationwide elections on April 25 were an important step in legitimizing the process of reunification. On Thursday the Vietnamese will convene a meeting of the new National Assembly to select the new government, appoint representatives to the new ministries, and a committee to write a new constitution.

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[] On June 1, South Vietnam's Provisional Revolutionary Government announced sterner measures to punish businessmen who violate the regime's economic and security regulations. A special peoples' tribunal will be set up to try publicly and without appeal entrepreneurs who allegedly worked closely with the US and are still:

--Hoarding and speculating.

--Trying to evade taxes or bribing government officials.

--Storing weapons, "colluding with the reactionaries," or organizing refugee escapes.

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[] Individuals found guilty could have their property confiscated and be sentenced to prison for from five years to life, or be put to death. Those who have obeyed the law since "liberation day" could have their prison sentences suspended and lose only part or all of their property.

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[] These measures go far beyond those announced last September, which dealt only with economic crimes, stipulated confiscation of property as the only punishment, and did not refer to crimes committed before the end of the war.

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[] On June 9, the government announced that troops, non-commissioned officers, officers, and "personnel at various echelons of the administrative apparatus" of the former regime "must attend collective re-education courses for three years," if they had not aided the revolution or had not already satisfactorily completed re-education courses. In contrast, the last official

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statement in January did not impose an explicit re-education period and referred only to "higher ranking officers" and "officials of the puppet armed forces and administrative apparatus" as being in reform camps.

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[] The new regulations also said for the first time that the regime would hold trials for people who had:

--Committed crimes against the revolution.

--Incurred "blood debts" of the Vietnamese people.

--Served as "lackeys" of the US.

--Deliberately fled to foreign countries (The communists were careful to exclude refugees who fled from "panic" and are outside the country only "temporarily.")

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[] Over the last several months there has been evidence of a debate between advocates of a slower approach to communizing the south and those who urged a speedier and more forceful transformation. Public commentaries have been contradictory, suggesting that the issue is still unresolved. In articles published in the November and February issues of Hanoi's theoretical journal *Hoc Tap*, the emphasis was on the need for speed and coercion in building socialism in the south. The April issue maintained that the south's economy should be changed "gradually and methodically" after careful preparation.

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[] Hanoi has so far avoided acting on the potentially most explosive issue--collectivizing agriculture in the south. Hanoi has already instituted collectivization in the north and must eventually do so in the south to build a nationwide socialist system. The Third Party Congress in 1960 held that the collectivization of agriculture "is the main link in the whole chain of socialist transformation."

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[] There is no debate on establishing a communist system in South Vietnam; the dispute is over the speed and severity with which it should be imposed. A clearer indication, including some insight into the communists' approach toward collectivization, probably will emerge from the Fourth Party Congress slated for sometime this year. []

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YUGOSLAVIA

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[] Yugoslavia is showing some concern that domestic repression associated with its "vigilance" campaign is damaging its image, particularly in the West.

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[] Pointed questions by foreigners have embarrassed top Yugoslav leaders, including President Tito, who admitted during a press interview in Sweden in March that Yugoslavia may have more political prisoners than the USSR. He tried to recoup by clumsily--and falsely--asserting that those in prison are all Soviet sympathizers.

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[] Nonetheless, the campaign will probably continue as long as order and discipline remain Tito's top priority.

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[] To improve its image, Belgrade has recently:

//--Tried to discredit Western press support for jailed writer Mihajlo Mihajlov.//

--Overturned the conviction of a Serbian lawyer jailed for excessive zeal in defending a client.

--Discussed a recall system whereby grossly incapable bureaucrats allegedly can be sacked by public demand.

--Made plans for a new party journal to publish "responsible" social criticism.

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[] the collective state presidency has reviewed the judicial and investigative records of several political trials and has concluded that the evidence was insufficient and sentences excessively harsh. Tito has also directed the party to revise its system of appeals in disciplinary matters and its procedures for handling public grievances.//

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[redacted] The regime has taken other actions, however, which may cause new embarrassment. It has adopted a series of laws during the past year to improve the system of internal security checks. These checks also impose comprehensive restrictions on contacts between foreigners and Yugoslavs. Stretches of the Adriatic coast have been closed for the first time to tourists and foreign residents, and academic and research institutions must obtain military clearance before receiving foreign visitors. Foreign journalists face similar legal obstacles in meeting with their Yugoslav sources.

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[redacted] Belgrade will soon be forced to face the human rights question more directly because it is to be the host for the follow-on European security talks in 1977; Yugoslav policies toward the foreign press, domestic intellectual dissidents and cultural exchanges will be in the limelight. [redacted]

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CHINA

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[REDACTED] Unless there is a marked improvement in the weather, China is unlikely to equal last year's estimated grain output of 260 million tons.

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[REDACTED] In the northern part of the North China Plain--the major winter wheat growing area--crops were hurt by excess rain during fall planting and by drought after sprouting this spring. Lentils, barley, and sweet potatoes were retarded by damp, cool weather in South China.

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[REDACTED] Early rice--the balance of the spring and summer harvest--will be harvested in July. The crop has suffered repeated setbacks from bad weather this year. Moreover, delayed transplanting could result in a late harvest, upsetting South China's tight multiple cropping calendar and hindering the planting of fall harvested crops.

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[REDACTED] Production of fall-harvested grain will depend on the weather over the next three months.

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[REDACTED] It is still too early to judge whether China will have to increase grain imports this year. Peking apparently views grain imports as a last resort, and has not yet increased

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the roughly 2 million tons scheduled for delivery from Canada and Australia in 1976. The Chinese have the option of purchasing another 2 million tons from these two countries under the final year of long-term agreements.

25X1 [] China might prefer to draw down its grain stocks to save foreign exchange before making new purchases. Rice and soybean exports have been curtailed. China recently purchased 100,000 tons of Brazilian soybeans apparently as a buffer against the short rapeseed harvest and vegetable oil shortages. [] 25X1

EC-ITALY

25X1 [] A proposal yesterday by a high-ranking EC official urging massive economic aid to Italy reflects a consensus among the Nine that they have a vital stake in maintaining Italy's close ties to the European Community and NATO.

25X1 [] //Even before the Italian election, there was strong feeling in the EC that it should attempt to influence the composition and direction of the post-election government in Rome. The EC hoped that the election would provide a clear alternative to Communist participation, and most of its planning had been based on that assumption.//

25X1 [] //The proposal made yesterday is probably based on a plan worked out by individuals close to EC Commission President Ortolí calling for short-term financing until a basic reform and investment program is established.//

25X1 [] //EC officials have avoided comment on how Communist participation in an Italian government would affect the aid proposal. Some Community sources say major EC financial support would be unlikely if the Communists join the government; others think the EC should move quickly to demonstrate support for reform of the Italian economy and the bureaucracy. The US mission in Brussels believes that the Commission would seek to play an influential role even if the Communists participate in the government.//

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[REDACTED] In his public comments yesterday, EC Commissioner Haferkamp said that Italy's partners and allies "should be ready to pay" for the reforms because all would ultimately benefit from them. Haferkamp invited US and Japanese participation in multilateral assistance to Italy and, presumably, in the attaching of "harsh conditions" to any loan in order to assure that reforms were made.

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[REDACTED] The EC would clearly prefer to take all the credit for any recovery program for Italy, but it also recognizes that it does not have the resources. The timing of the initiative was doubtless motivated in part by a desire to make the EC interest clear prior to the Puerto Rico economic summit to assure that potential Community approaches are not overlooked in favor of bilateral programs. [REDACTED]

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IRAQ-SYRIA

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[REDACTED] The US interests section in Baghdad continues to interpret the Iraqi buildup on the Syrian border as a show of force intended to relieve the pressure on the Palestinians and leftists in Lebanon and to embarrass Damascus. Iraq, in the view of the interests section, is trying to exploit what it sees as Syria's serious miscalculation in Lebanon.

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[REDACTED] Baghdad may be betting that prolonged involvement in Lebanon will create serious political unrest in Syria leading

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to an internal upheaval against President Asad. In such an eventuality, the interests section believes Baghdad would use its large troop concentrations on the border in a way calculated to strengthen the hand of any contenders for power in Damascus who might be more amenable than Asad to working with Baghdad.

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[] In addition to the well publicized troop movements, Baghdad has called up conscripts, reservists, and those whose terms of service were deferred during the Kurdish fighting. The US interests section also reports that the government has reserved all beds in government hospitals that are not being used for emergency patients. []

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MEXICO

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[] Mexico's position on joining the Organization of Petroleum Exporting Countries remains ambiguous despite Secretary of National Patrimony Alejo's remarks last month that Mexico would join the organization as soon as it is invited.

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[] //Government officials, including Alejo, have since carefully avoided categorical statements on the issue. They say that Mexico is not interested in joining at this time but leave open the possibility of membership in the future if conditions are right.//

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[] Officials argue that Mexico need not join OPEC because:

--It is not, and does not intend to become, a major exporter of crude oil, preferring instead to conserve its reserves and produce refined products for export.

--It already sells its oil at the OPEC price.

--It would be subject to the restrictions imposed on OPEC members by the US Trade Reform Act of 1974.

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[] //The officials also say that it would be politically difficult to associate with OPEC countries that are allegedly influenced by multinational companies. The Mexicans claim that several member nations are opposed to Mexico's entry.//

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[REDACTED] These arguments may be a smokescreen to mask a lack of consensus within the Mexican leadership. Mexico produces and exports enough petroleum to be considered for OPEC membership, but officials may have decided to delay making a decision until sometime after Jose Lopez Portillo, President Echeverria's successor, takes office on December 1.

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[REDACTED] The entry of Mexico into OPEC would have little or no impact on Mexico's crude oil production decisions because OPEC does not have a system for prorating production that could constrain Mexico. Mexico's exports would be hurt somewhat, especially over the long term, by exclusion from the benefits of the US trade law, although Mexico could gain exemption from the restrictions, as Venezuela and Ecuador would, if Congress votes to waive them.

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ARGENTINA

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[REDACTED] The draft text of Argentina's new foreign investments law, which was released last week, ostensibly does away with most of the onerous restrictions of the November 1973 law that had reduced direct foreign investment to near zero during the past two years.

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[REDACTED] The new law will:

--Give foreign investors the same rights and responsibilities as domestic investors.

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--Eliminate the restriction on access by foreign firms to domestic credit.

--Remove the prohibition against foreign investment in certain fields.

--Reduce the number of businesses in which prior government approval for investment is required.

--Liberalize provisions for repatriating capital and profits.

--Reduce taxes on profit remittances.

25X1 [] The new law should bring in more capital from private foreign sources. Businessmen will probably respond slowly, however, waiting to see whether the regime's other measures improve the outlook for stability and profitable economic activity. 25X1 []

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